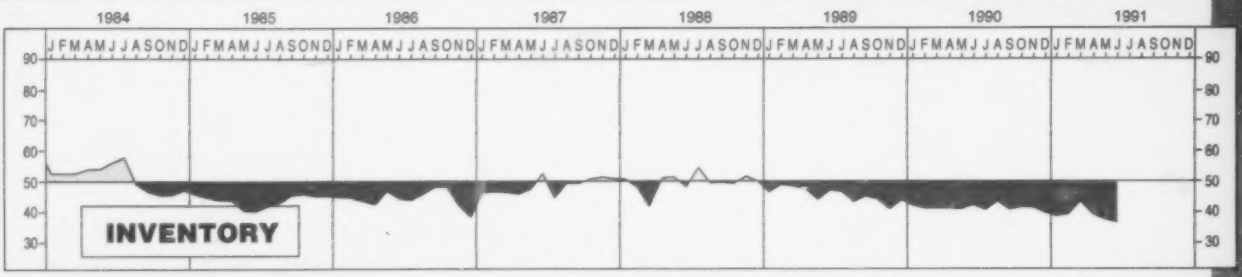
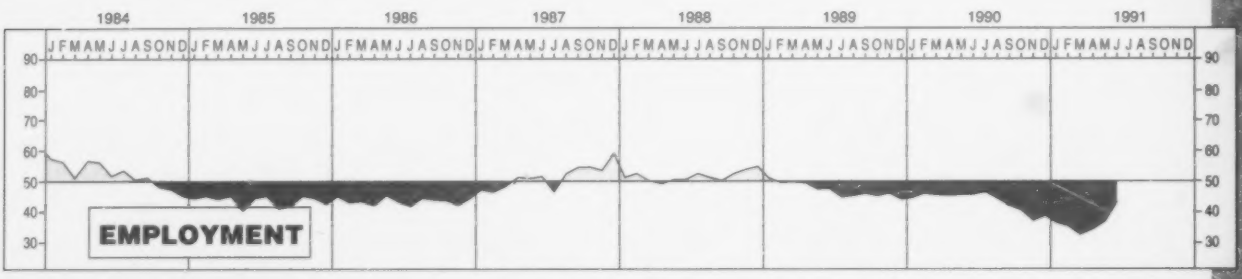


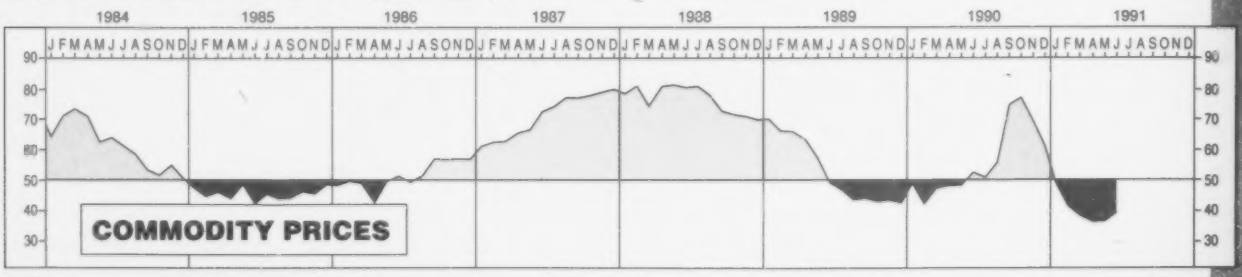
Inventories declined in June for the 31st consecutive month. The Inventories Index fell to 36.7%, down from 37.5% in May, and is the lowest since January 1983 (36.3%). It is not likely that Inventories will decline at a greater rate much longer, if at all. When the rate of decline begins to lessen, purchases will increase at a greater rate than production and, thus, provide even more growth to the economy.

Inventories	%Higher	%Same	%Lower	Net	Index
June 1991	14	47	39	-25	36.7
May 1991	13	49	38	-25	37.5
April 1991	14	53	33	-19	39.0
March 1991	18	55	27	-9	43.5



Employment declined in June for the 29th consecutive month, although at a significantly lesser rate of decline. The Employment Index rose to 43.3%, up from 37.0% in May, and a recession low of 32.7% in March. The index at 43.3% is the lowest rate of decline since August 1990 (44.4%). In April it was suggested that the bottom of the decline in manufacturing employment was reached in March and April was the first month in an upward trend. The June index confirms this trend which should continue as Employment follows the improving economy.

Employment	%Higher	%Same	%Lower	Net	Index
June 1991	14	61	25	-11	43.3
May 1991	5	65	30	-25	37.0
April 1991	8	57	35	-27	34.4
March 1991	5	58	37	-32	32.7



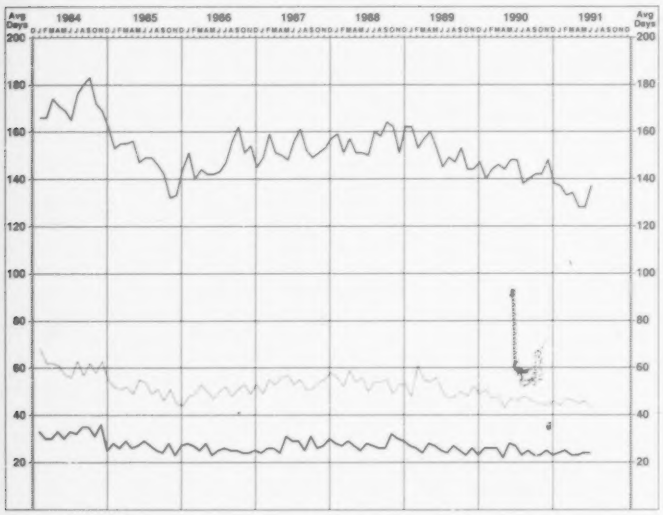
Prices declined in June for the sixth consecutive month. The Price Index rose for the second straight month to 39.5%, up from 36.9% in May. As indicated in April, the index will most likely begin to rise, as prices lag the economy. Nevertheless, it is again noteworthy that Caustic Soda/Soda Ash was reported down in price in June after being reported higher in price for April for the 53rd consecutive month.

Prices	%Higher	%Same	%Lower	Net	Index
June 1991	6	66	28	-22	39.5
May 1991	5	64	31	-26	36.9
April 1991	10	60	30	-20	36.3
March 1991	8	64	28	-20	38.6

silverware from tarnishing); **Steel** - 5th consecutive month; **Steel Scrap** - 8th consecutive month; **Steel Plate**; **Zinc** - 11th consecutive month (used heavily in galvanizing sheet iron, as an ingredient of alloys such as brass and bronze, as a protective coating to prevent corrosion of other metals, for electrical apparatus, dry cell batteries, building materials, and automotive equipment; **Bearings** - 7th time in 8 months; **Uncoated Offset Paper** - 6th consecutive month; **Corrugated Shipping Containers** - 16th time in 17 months; **Linerboard** - 4th consecutive month; **Wood Pulp** - 4th consecutive month (used heavily in making all grades of paper and linerboard); **Caustic Soda/Soda Ash** - After being reported up in price in April for 53rd consecutive month (used heavily in paper making, petroleum refining, and soap making); **Ethylene** - 5th consecutive month (used heavily in making ethylene oxide, plastic resins, and glycols); **Ethylene Glycol** - 3rd time in 4 months (used heavily in making antifreeze, brake fluid, plastic paint, and ink); **Methanol** - 2nd consecutive month (used heavily as a solvent, a motor fuel additive, and in synthesizing other chemicals); **Phthalic Anhydride** - 3rd time in 5 months (used heavily in making artificial resins, benzoic acid, and phthalates); **Titanium Dioxide** - 4th time in 5 months (a lead-free pigment used as a whitener in coatings, paints, paper, and other industrial applications); **Toluene** - 6th time in 7 months (used heavily in making explosives, dyes, and benzoic acid, as a solvent in paint and as a gasoline additive; **Plastic Resins** - 4th consecutive month; **Plastic Products** - 2nd consecutive month; **Polyethylene** - 4th consecutive month; **Polypropylene** - 6th consecutive month; **Polystyrene** - 5th consecutive month (used heavily in making plastic foam packaging, cups, and plates); **Polyvinyl Chloride (PVC)** - 2nd time in 3 months (used in wire and cable coating, vinyl siding, pipe tubing, textile finishing, belting, and auto interiors); **Propylene** - 5th consecutive month (used heavily in making polypropylene plastic and acetone, isopropyl alcohol, phenol, propylene oxide, and other chemicals); **Styrene** - 7th consecutive month (used chiefly in making polystyrene, synthetic rubber, latex, polyester resins, and plastic products such as dinnerware, paneling, boat hulls, etc.); **Coal** - 2nd consecutive month; **Fuel Oil** - 5th consecutive month; **Natural Gas** - 6th consecutive month; **Corn** - 2nd consecutive month; **Tomato Paste**.

BUYING POLICY

Average leadtimes for Capital Expenditures lengthened significantly in June while they shrunk for Production Materials and stayed the same for Maintenance, Repair, and Operating (MRO) Supplies. The average leadtimes for Capital Expenditures, a lagging indicator, increased in June to 138 days, up sharply from 129 days in both April and May, which was the lowest since NAPM began tracking leadtimes in January 1975. The average leadtimes for Production Materials fell to 44 days, down from 47 days in May and adding confirmation that purchasers have not stopped reducing their inventories. The average leadtimes for MRO Supplies in June remained the same as in May (24 days).

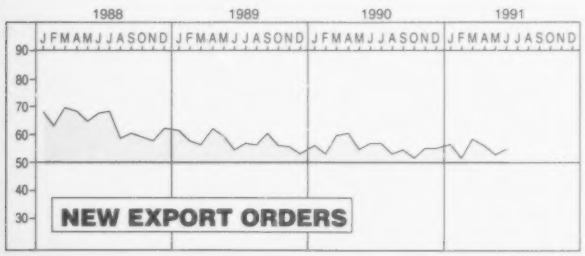


PERCENT REPORTING

Capital Expenditures	Hand to Mouth	30 Days	60 Days	90 Days	6 mos. and Longer	1 year + Days	Avg. Days
June 1991	11	8	12	24	31	14	138
May 1991	14	8	11	24	32	11	129
April 1991	12	9	16	19	33	11	129
March 1991	12	8	12	23	32	13	135

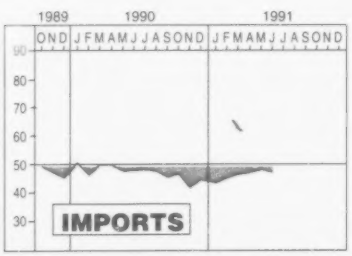
Production Materials	Hand to Mouth	30 Days	60 Days	90 Days	6 mos. and Longer	1 year + Days	Avg. Days
June 1991	19	44	26	8	2	1	44
May 1991	21	40	27	8	2	2	47
April 1991	18	42	26	11	2	1	46
March 1991	19	40	25	13	2	1	47

MRO Supplies	Hand to Mouth	30 Days	60 Days	90 Days	6 mos. and Longer	1 year + Days	Avg. Days
June 1991	42	45	10	3	0	0	24
May 1991	45	43	7	5	0	0	24
April 1991	47	40	10	3	0	0	23
March 1991	46	41	10	3	0	0	23



New Export Orders continued to grow in June at a greater rate than in May. The New Export Orders Index, not seasonally adjusted, registered 55.0% in June, up from 53.0% in May. The percentage of members exporting remained at 78, which along with May, was the most to report exporting some of their products since we began surveying New Export Orders in January 1988.

New Export Orders	%Exporting	%Better	%Same	%Worse	Net	Index
June 1991	78	24	62	14	+10	55.0
May 1991	78	18	70	12	+ 6	53.0
April 1991	75	22	69	9	+13	56.5
March 1991	75	25	67	8	+17	58.5



Imports declined for the 14th consecutive month. The Imports Index, not seasonally adjusted, was 47.5%, which is down slightly from 48.0% in May. The percentage of members importing remained the same as last two months (77).

Imports	%Exporting	%Better	%Same	%Worse	Net	Index
June 1991	77	9	77	14	-5	47.5
May 1991	77	10	76	14	-4	48.0
April 1991	77	9	76	15	-6	47.0
March 1991	76	10	74	16	-6	47.0

DATA AND METHOD OF PRESENTATION

The **Report on Business** is based on data compiled from monthly replies to questions asked of purchasing executives in over 300 industrial companies. Membership of the Business Survey Committee is diversified geographically, based on value added by state, and by Standard Industrial Classification (SIC) category, based on each industry's contribution to Gross National Product (GNP). Twenty industries in 50 states are representad on the committee.

Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured [New Orders, New Export Orders, Imports, Production, Supplier Deliveries (formerly Vendor Deliveries), Inventories, Employment and Prices], this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction (higher, better and slower for Supplier Deliveries), and the negative economic direction (lower, worse and faster for Supplier Deliveries), and the diffusion index.

Responses are raw data and are never changed. The diffusion index includes the percent of positive responses plus one-half of those responding the same (considered positive). The resulting single index number is then seasonally adjusted to allow for the effects of repetitive intra-year variations resulting primarily from normal differences in weather conditions, various institutional arrangements and differences attributable to non-moveable holidays. All seasonal adjustment factors are supplied by the U.S. Department of Commerce and are subject annually to relatively minor changes when conditions warrant them. A sufficient history is not yet available for the New Export Orders and Imports Indexes to determine seasonal adjustment factors. Therefore, these two indexes are not seasonally adjusted. The Purchasing Managers' Index (PMI) is a composite index based on the seasonally adjusted diffusion indexes for five of the indicators (New Orders, Production, Supplier Deliveries, Inventories and Employment) with varying weights applied.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. An index reading above 50% indicates that the economy is generally expanding; below 50%, that the economy is generally declining. The distance from 50% is indicative of the strength of the expansion or decline.

Responses to Buying Policy reflect the percent reporting the current months lead time, the approximate weighted number of days ahead for which commitments are made for Production Materials, Capital Expenditures and Maintenance, Repair and Operating (MRO) Supplies, expressed as hand-to-mouth (5 days), 30 days, 60 days, 90 days, 6 months (180 days), a year or more (360 days) and the weighted average number of days. These responses are raw data, never revised and not seasonally adjusted since there is no significant seasonal pattern.